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THE FOURTH ACP-EEC CONVENTION: NEW PRINCIPAL FEATURES AND THEIR RELEVANCE TO AFRICA'S DEVELOPMENT

A briefing note by the ECA secretariat

1. INTRODUCTION

1. The fourth ACP-EEC Convention was signed in Lome, Togo, on 15 December 1989 betweeen the African, Caribbean and Pacific (ACP) countries comprising 68 developing nations and the European Economic Community (EEC) comprising 12 industrialized countries.[1] It will run for a period of 10 years commencing from 1 March 1990. This in itself is a new provision not found in the previous Conventions. In terms of structure and form, the new Convention is similar to the Third ACP-EEC Convention. It comprises six parts dealing with General Provisions of the ACP-EEC Co-operation; The Areas of ACP-EEC Co-operation; The Instruments of ACP-EEC Co-operation; Operation of the Institutions; and Final Provisions.

2. The negotiations for the Lome IV Convention took place against the background of several developments. Firstly, many African and other ACP economies continued to experience persistent declines or stagnation in their growth rates; poverty was becoming more wide-spread and there were increasing deficits in food production in some of the countries. The external sector performed poorly with increasing debt burdens, balance-of-payments deficits, foreign exchange shortfalls and overall declines in commodity earnings. There was concern that these adverse trends should be reversed to enable the ACP countries to embark upon sustained growth and development. Secondly, the agreements for the European Single Market 1992 raised doubts in the ACP States about their future relations with Europe. This dictated the need to ensure that the framework for ACP-EEC co-operation was preserved. Thirdly, as a result of the political and economic reforms in the Eastern European countries, the EEC re-designed their trade and aid policies to respond to the emerging European socio-political environment. It was therefore necessary for the EEC to assure the ACP States that the new aid packages for Eastern Europe would not be at the expense of the latter. Superimposed on these developments were the Uruguay Round Multilateral Trade Negotiations which to a large extent governed the level of concessions under the Lome IV Convention compatible with the provisions of the General Agreement on Tariffs and Trade (GATT).

3. Each successive Convention has introduced additions and modifications intended to strengthen the framework for ACP-EEC relations and enable the ACP States to respond adequately to developments in the international situation. Therefore, while the basic structure of Lome IV is similar to that of Lome III, important changes have been incorporated. Therefore, the purpose of this briefing note is to appraise the African States members of the ACP group of the principal elements of the Lome IV Convention that have been introduced and which represent a new dimension in co-operation between the North and the South. An attempt has also been made to indicate the possible implications of the new elements on Africa's social and economic development in the 1990s.

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[1] The First ACP-EEC Convention was signed in Lome on 6 February 1975 followed by Lome II on 31 October 1979 and Lome III on 8 December 1984. Prior to this, 18 African States (mainly French-speaking) signed the First Yaounde Convention with the original six European States in 1963. This was followed by the second Yaounde Convention which was signed in 1969.

II. GENERAL PROVISIONS OF ACP-EEC CO-OPERATION

4. Like its predecessor agreements, the Lome IV Convention affirms the undertaking by the contracting parties to strengthen the framework of ACP-EEC co-operation within the context of a legally binding system and the existence of joint institutions. Such co-operation is envisaged on the basis of (a) equality between partners, respect for their sovereignty, mutual interest and interdependence; (b) the right of each State to determine its own political, social, cultural and economic policy options; and (c) security of their relations based on the "acquis" of their system of co-operation. Within this broad mutuality of objectives, the Lome IV Convention has introduced the following new elements in the framework for ACP-EEC co-operation:

(a) Development should be based on a sustainable balance between its economic objectives, the rational management of the environment and the enhancement of natural and human resources (Article 4);

(b) Co-operation should be directed towards development centred on man, who should be the main protagonist and beneficiary of such development. This entails the respect for and promotion of human rights (Article 5);

(c) The attainment of more balanced and self-reliant economic development of the ACP States has been given recognition. To this end, special efforts shall be made to promote rural development, food security and strengthening of agricultural production in the ACP States. Priority is also given to environmental protection and the rational management and conservation of natural resources (Article 6);

(d) Special importance and high priority has been given to regional co-operation and integration, and the Community shall offer effective support to groups of ACP countries in their efforts towards co-operation and integration (Article 7);

(e) The Convention shall aim at environmental protection, the conservation of renewable and non-renewable resources and control of drought, desertification and deforestation. It shall also undertake specific measures to control locusts, preserve tropical forests, protect water resources and promote better balance between the urban and rural areas (Article 14);

(f) Industrialization has been fully recognized as a driving force in development as complementary to agricultural and rural development. This is essential in order to enhance productivity and the competitiveness of ACP economies in world trade (Article 17);

(g) The high dependence of many ACP States on primary commodity exports has been fully recognized. Hence, the new co-operation framework will enhance diversification, both horizontal and vertical, of the ACP economies, especially through the development of processing, marketing, distribution and transport. The re-organization and rationalization of production, marketing and distribution activities in the ACP States has also been accorded recognition (Article 18);

(h) Popular participation in development has also been recognized as an important element in development strategies. Accordingly, support shall be given to

decentralized public authorities, rural and village groupings, co-operatives, firms, trade unions, teaching and research centres, non-governmental development organizations and various associations in their efforts to contribute towards the development of ACP States (Article 20).

(v) The support for structural adjustment efforts in the ACP countries is a new dimension of the type of co-operation. This will be envisaged within the framework for increased trade between the contracting parties, alleviation of external debt; self-reliant development through the adaptation and transformation of technology; access to capital markets and private investments and achieving stability in commodity export earnings (Article 21).

III. THE AREAS OF ACP-EEC CO-OPERATION

A. Environment

5. This is a new addition by the Convention (Articles 33-41) based on the recognition that a rapid deterioration of the environment hinders development efforts, especially the attainment of self-reliance and food security. It aims at halting the deterioration of land and forests, the restoration of ecological balance and the preservation and rational utilization of natural resources to bring about lasting improvement in living conditions of the population. It also aims at ensuring that the international movements of hazardous wastes and radioactive waste is generally controlled and at preventing all direct and indirect export of such waste to the ACP states. However, this provision would not prevent an EEC member state from returning processed waste which was imported for processing to an ACP state.

B. Agriculture co-operation, food security and rural development

(i) The role of women in development

6. The role of women in development is fully recognized in the new convention and encourages the active participation of the rural population, both men and women, through forming associations and producer organizations. In particular, it seeks to increase the participation of women in production through better access to land inputs, credit and extension services. New measures will be taken to reduce the workload of women by, inter alia, investing in and adapting appropriate technologies in production as well as post-harvest and food processing (Article 4).

(ii) Food operations

7. A new element includes the need to provide products suited to the habits of consumers and speedy supply of food in emergency operations. There is also provision to purchase food not only in the EEC but also in the region or other developing country (Article 51).

(iii) Drought and desertification control

8. The Convention provides for the improvement of knowledge of, and the ability to forecast desertification phenomena and combating it/preventing through modern

technologies such as remote sensing. It also calls for an inventory of water bodies and their replenishment capacity, so as to ensure better predictability of water supplies, including surface and ground water management. It also envisages the establishment of a system for the prevention and control of bush fires and deforestation (Article 51).

F. Development of commodity co-operation

50. The Convention takes full cognizance of the high dependence of a large number of ACP countries on primary commodity exports and the deterioration in the performance of the export sector. A whole range of policies and measures have been proposed to be undertaken jointly by the Community and the ACP States which include, inter alia, production and export diversification; enhancement of human capital through training and information; better operation of the international commodity market including transparency; and improving the operation of existing international commodity agreements (Article 50 (a)).

G. Industrial development, manufacturing and processing

51. The provisions for industrial development have been completely revised to take into account the need for an integrated industrial strategy in the ACP States which interlinks with the other sectors such as agriculture, rural development, manufacturing, mining, energy, infrastructure and services. The main features of this provision includes support for the establishment of new industries to supply local markets in a more cost-effective manner and to ensure the growth of the non-traditional export sectors; special focus on manufacturing and processing of primary products; enhancement of engineering, metallurgical and chemical industries; industrial rehabilitation and capacity utilization; the establishment and strengthening of industry-related scientific and technical infrastructure; identification of practical opportunities for industrial co-operation between the ACP and the Community and special measures for the least developed, land-locked and island ACP countries to establish the basis for industrialization (Articles 47-49).

H. Mining development

52. New provisions have been introduced to deal with mining development. Of particular interest is the special attention given to encouraging the role of small- and medium-scale mining projects so as to promote local mining enterprises focusing on domestic or regional markets. The integration of the mining sector with the other sectors is also given special attention as well as appropriate policies for landuse and supporting infrastructure (Article 54-(ma)).

I. Enterprise development

53. This is a new element recognizing the important role of the enterprise sector in the development of the ACP economies. Efforts will be directed toward the directly productive activities and assistance will be provided for the mobilization of domestic savings and development financial intermediaries. Special focus is on developing

technical managerial capacities of entrepreneurs especially those operating at small-scale levels in the informal sector (Articles 110-113).

F. Development of services

13. This is a new provision which groups together various services that support economic development including transport, communications and information technology. One of the principal objectives of this provision is to stimulate enterprise development by increasing investment in services with a view to creating employment, generating revenue and facilitating the transfer and adaptation of technology. Special attention will be given to services that support economic development, tourism, transport, communications, information technology, foreign trade, the business sector, regional integration and supporting infrastructure. Other areas of focus include business advisory services to improve management and accountancy, legal service, tax consultance, business financing and market research (Articles 114-120).

14. In tourism (Articles 121-123) and transport, communications and information technology (Articles 124-134), the new focus will be on identification of new and non-traditional tourism products; the promotion of private investment in the tourist industry and technical assistance in the hotel industry; effective development of efficient and reliable shipping services; maintenance of handling equipment and port facilities and the development of intermodal transport and containerization as well as interregional and inland shipping services. The aim of information technology is to build up in the ACP States technology and telematics capacities including the installation of information technology systems.

G. Trade development

15. The new provisions include support to ACP countries in the application of modern marketing techniques for production-oriented sectors and programmes in areas such as agriculture and rural development; in developing supportive infrastructure including transport and storage; in developing internal capacities information systems; and support to small- and medium-sized entreprises in product identification and development as well as market outlets and joint marketing ventures (Articles 135-138).

H. Regional co-operation

16. New and concrete proposals have been introduced to enhance regional co-operation among the ACP States. These include promotion of scientific and technical co-operation among ACP States including intra-ACP technical assistance programmes; support in setting up or strengthening regional payments mechanisms including clearing and financing facilities for trade; assistance in combating drug trafficking at the regional and interregional levels; education and training research, science and technology to enhance regional co-operation; and the provision of funding for regional co-operation programming and projects. Special attention will be given to the problems of land-locked, least developed and island nations in regional co-operation programming especially in the distribution of cost and benefits (Articles 156-165).

IV. THE INSTRUMENTS OF ACP-EEC CO-OPERATION

17. The instruments for trade co-operation relate to co-operation in the fields of trade, commodities, finance, investment, technical co-operation, implementation procedures, management and executing agents and the provisions for the least developed, land-locked and island ACP nations. The new provisions are briefly analysed in the next few paragraphs.

A. Stabilization of export earnings from agricultural commodities (STABEX)

18. The Convention recognizes the structural problems in the ACP countries and the need to attain horizontal and vertical diversification in order to improve the export earnings of the ACP countries. Importance is given to the assessment of the situation leading to implementation. Special attention is given to increased facilities for processing, marketing, distribution and transport. Recognition is also given to the need for better operations of the international commodity markets and to remedy the harmful effects of instability of export earnings (Article 186).

19. The following 49 commodities are included in STABEX: groundnuts in shell or shelled; groundnut oil; cocoa beans, cocoa husks, shells and skins and other waste; cocoa paste; cocoa butter, cocoa powder; raw or roasted coffee; extracts, essences and concentrates of coffee; cotton, not carded or combed; cotton linters; coconuts; copra; coconut oil; palm oil; palm kernel oil; palm nuts and kernels; raw hides and skins; leather of bovine animals; sheep and lamb skin leather; goat and kid skin leather; wood in the rough and squared wood; sawn wood; fresh bananas; dried bananas; tea; raw sisal; vanilla, cloves, wool, not carded or combed; fine animal hair of Angora goat - mohair; gum Arabic; pyrethrum, saps and extracts of pyrethrum; essential oils; sesame seed; cashew nuts and kernels; pepper; shrimps and prawns; squid, octopus and cuttlefish; cotton seed; oil cake; rubber; peas; beans; lentils; nutmeg and mace; shea nuts; shea nut oil; mangoes.

The three new commodities are cocoa products (husks, shells and skins and other wastes and cocoa powder), octopus and cuttlefish.

20. A new reference period has been set for calculations of benefits as the last six years instead of four as under Lome III and excludes two years for the lowest and highest figures. Other changes include the automatic application of the system to all ACP States export earnings regardless of their destination, provided at least 70 per cent of the total export earnings come from EEC and 60 per cent derogation for the least developed countries.

21. The STABEX involves the sum of ECU 1600 million in grants and this represents an increase of 60 per cent over the provision under Lome III. An important element is that unlike the previous Convention, the resources need not be replenished. The threshold for the application of the system on export earnings has been reduced from 6 to 5 per cent for all countries and from 1.5 to 1 per cent for the least developed, land-locked and island countries.

B. Special financing facility for mining products (SYSMIN)

22. The provisions regarding SYSMIN have also been reorganized in order to respond to two main factors: the need to safeguard mining production and exports of the ACP countries from losses arising from the introduction of major technological innovations or unforeseen disruptions in the mining sector and to ensure diversification in the case of countries heavily dependent on exports of one mineral product. Two products, gold and uranium have been added to the list eligible under SYSMIN.

V. DEVELOPMENT FINANCE CO-OPERATION

23. Development finance co-operation has always been the mainstay of the ACP-EEC relations. In order to respond to emerging needs in the ACP States, significant changes have been introduced in the provisions for development finance co-operation to promote economic and social transformation of the ACP States.

A. General objectives, principles and guidelines

24. The general objectives, principles and guidelines for development finance co-operation have been revised. One change is that it is clearly stated that aid will be on 'very highly concessional terms', and that this will be implemented on the basis of and consistent with the development objectives, strategies and priorities of the ACP States (Article 221). Eight new objectives of development finance co-operation have been added or significantly modified to respond to the real needs of ACP States (Article 220).

25. Specifically, the following new objectives are intended to:

(a) Facilitate an increase in the financial flows to the ACP States, which are responsive to the evolving needs of the ACP States and support the efforts of the ACP States to harmonize international co-operation for their development through co-financing of operations with other financing agencies or third parties;

(b) Contribute to the attenuation of the debt burden which is a major constraint to the development prospects of ACP States, by ensuring greater non-debt-creating transfers, and by developing and implementing in a co-ordinated and integrated way the different instruments of the Convention;

(c) Promote and mobilize resources in support of sustainable, effective and growth-oriented adjustment programmes;

(d) Seek new approaches to direct private investment promotion in the ACP States; support the development of a healthy, prosperous and dynamic ACP private sector and encourage domestic and foreign private investment flows into the productive sectors in the ACP States;

(e) Encourage intra-ACP co-operation and regional co-operation among ACP States;

(f) Permit the establishment of more balanced economic and social relations and better understanding between the ACP States, member States of the Community and the rest of the world, with a view to achieving a new international economic order;

(g) Enable the ACP States faced with serious economic and social difficulties of an exceptional nature resulting from natural disasters or extraordinary circumstances having comparable effects to benefit from emergency assistance; and

(h) Help the least developed, land-locked and island ACP States to overcome the specific obstacles which hamper their development efforts.

As in the old Convention, it is also provided that the ACP States shall be responsible for the following (Article 222): (a) defining the objectives and priorities on which the indicative programmes are based; (b) choosing projects and programmes; (c) preparing and presenting the dossiers of projects and programmes; (d) preparing, negotiating and concluding contracts; (e) implementing and managing projects and programmes; and (f) maintaining projects and programmes.

B. Sectors of intervention

26. Development finance from EDC is designed to cover capital projects and programmes; rehabilitation projets and programmes; sectoral and import support programmes; budgetary support to alleviate domestic financial constraints; support measures to attenuate the debt burden and balance-of-payments problems; technical co-operation programmes; recurrent costs of new and on-going and complementary projects and programmes; equity participation; and credit lines and support for regional payments mechanisms and export credit operations (Articles 224 and 225).

27. Within the priorities set by the ACP States themselves, financial support may be given in the following sectors and subsectors (Article 229):

(a) Agricultural and rural development and, in particular, food self-sufficiency and food security programmes;

(b) Industrialization, artisanal activities, energy, mining and tourism;

(c) Economic and social infrastructure;

(d) Structural improvement of the productive sectors of the economy;

(e) Preservation and protection of the environment;

(f) Prospecting for, exploration and exploitation of, natural resources;

(g) Education and training programmes, basic and applied scientific research and applied technology, technological adaptation or innovation and the transfer of technology;

(h) Industrial promotion and information;

(i) Marketing and trade promotion;

(j) Promotion, development and reinforcement of small- and medium-size national and regional enterprises;

(k) Support for national and regional development banks and financial institutions, and for clearing and payment institutions which are designed to promote regional and intra-ACP trade;

(l) Micro-projects for grassroots development;

(m) Transport and communications, including promotion of sea and air transport;

(n) Fisheries development;

(o) Development and optimum utilization of human resources, special account being taken of the role of women in development;

(p) Improvement of social and cultural infrastructure and services (eg water, health, education, water supply, etc);

(q) Assisting ACP and ACP-EEC professional and business organizations with the aim of improving production and marketing of products on external markets;

(r) Support for structural adjustment programmes, thus contributing also to debt attenuation measures;

(s) Investment promotion and support measures;

(t) Support for development operations put forward by economic, cultural, social and educational organizations in the framework of decentralized co-operation, in particular where they combine the efforts and resources of ACP organizations and of their Community counterparts.

Terms and conditions of financing

28. The terms and conditions of ge eloprent finance under the Lome IV Convention have been significantly expanded. The nature of financing of projects and programmes shall be defined jointly by the EDF and the ACP State concerned and shall take account of the level of development, the beneficiary's situation and the economic and financial conditions in the ACP state, and the nature of the project or programme to be financed, its economic return and expected social and cultural impact. In the case of risk capital, this may be provided as loans or equity under conditions that may be agreed. For loans from the European Investment Bank, there would be an 'interest rate subsidy' calculated on the basis of the loan value as may be agreed.

(a) Create an economic environment favourable to a resumption of, or for an acceleration in, the growth of GDP and employment;

(b) Improve the social and economic well-being of the population as a whole;

(c) Improve public sector management and provide appropriate private sector incentives;

(d) Increase the level of productivity in the key sectors of the economy;

(e) Achieve greater economic diversification as part of the effort to develop a larger measure of resilience in the economy and to reduce domestic and external imbalances while maintaining GDP growth;

(f) Improve balance-of-payments performance and the foreign exchange position;

(g) Ensure that adjustment is economically viable and socially and politically bearable.

33. The structural adjustment support shall be administrated within the framework of the following principles and understanding (Article 244):

(a) The ACP States shall bear primary responsibility for the analysis of the problems to be solved and the preparation of reform programmes;

(b) Support programmes shall be adapted to the different situation in each ACP State and be sensitive to the social conditions, culture and environment of these States;

(c) Assistance shall be supportive of the ACP State's priority development objectives such as agricultural and rural development, food security, processing, marketing, distributing and transport (PMDT), and environmental protection and contribute to the attenuation of the debt burden;

(d) Adjustment support shall take place within the framework of the political and economic model of the ACP State concerned;

(e) The right of the ACP States to determine the direction of their development strategies and priorities shall be recognized and respected;

(f) Both the reform and the support programme shall make provision from the outset to deal with the negative social effects that may result from the process of adjustment efforts, in pursuit of the objectives of economic growth and social justice, particular attention being paid to the most vulnerable groups in the society including the poor, the unemployed, women and children;

(g) The pace of the reform programmes shall be realistic and compatible with each ACP State's capacities and resources, while the implementation of support

programmes shall be flexible and adapted to the management capacity of the ACP Sta concerned;

(h) Quick disbursement shall be an important feature of support programme

(i) Support shall be given in the context of a joint assessment between t Community and the ACP State concerned on the reform measures being undertaken contemplated either at a macro-economic or sectoral level.

34. It is important to stress that all ACP member States shall be eligible f structural adjustment support. However, there is a linkage between the ACP suppo and the World Bank/IMF structural adjustment programmes. For instance, f eligibility purposes, it is provided that ACP States undertaking reform programm that are acknowledged and supported at least by the principal multilateral donor or that are agreed with such donors but not necessarily financially supported them, shall be treated as having automatically satisfied the requirements f adjustment assistance (Article 246).

35. The EEC structural adjustment support will depend upon the scope of the refor being undertaken or contemplated, the social, economic and political dimensions development and the likely impact of such reforms and on economic and social hardshi as reflected in selected indicators such as (a) the level of indebtedness and t debt-service burden; (b) balance-of-payments difficulties; (c) the budgetar situation; (d) the monetary situation; (e) the rate of growth of real national income (f) the level of unemployment; and (g) the situation in social areas such a nutrition, housing, health and education. An important element is that th implementation of each support programme shall be adapted to the needs and the respect the national sovereignty of each recipient State.

4. General provisions for the least developed, land-locked and island ACP States

36. There are 44 ACP developing countries considered 'least developed' for purpose of the Convention, of which 30 are in Africa; 14 countries are classified as 'land locked' and all of them are in Africa; and 26 countries as 'island' States, of whic six (Cape Verde, Comoros, Madagascar, Mauritius, Sao Tome and Principe and Seychelles are in Africa. The aid packages to these countries will pay special attention to th following:

(a) The strengthening of regional co-operation;

(b) Transport and communications' infrastructure;

(c) The efficient exploitation of marine resources and the marketing products so produced and, in the case of land-locked countries, inland fisheries;

(d) Structural adjustment where account will be taken of the level development of these countries and equally at the implementation stage of the socia dimension of adjustment.

(e) The implementation of food strategies and integrated development programmes.

VI. FINAL PROVISIONS

37. There is provision for Namibia, if it so requests, to be treated as an ACP State for purposes of the Convention.

38. The Convention has been concluded to cover a period of 10 years, commencing on 1 March 1990. This will be subject to review after five years. Eighteen months before expiry of the ten-year period, the contracting parties shall enter into negotiations to review the existing provisions so as to determine any new arrangements that might be agreed to govern future relations between the EEC and ACP States.

VII. CONCLUSIONS

39. The foregoing brief suggests an improvement in the emerging socio-political and economic environment governing North-South relations within the framework of the ACP-EEC Lome IV Convention. The international developments during the past five years have also dictated the need for a change in outlook. Evidence seems to suggest that there are positive changes in the Community's attitude towards developing countries. This is partly explained by the fact that a consensus is emerging in the Community that an economically and socially stronger ACP Group would be a better partner for the EEC than a weaker one.

40. Other positive elements of the new Convention relate to the innovations introduced covering important issues such as agricultural development and food self-sufficiency; industrial development and manufacturing including horizontal and vertical diversification; improvements in the primary commodity sector performance including processing, marketing and distribution; measures to attenuate external debt and debt-service burdens; and the structural adjustment support.

41. In conclusion, it is plausible to state that the enabling environment appears to have been created not only to foster more fruitful co-operation between the EEC and the ACP States but also to enable the latter to effectively implement programmes that could transform their economies from stagnation and poverty to real recovery and self-sustained development. The challenge for the ACP States is to have the commitment and desire to ensure that every effort is not spared to implement all the provisions of the Convention at the national, subregional and regional levels to derive maximum benefits for developing nations. From the experience gained in the previous Conventions, there is evidence to suggest that even if only one-third of the provisions are fully implemented, African economies would have shifted to higher levels of prosperity by the year 2000.